



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**November 13, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Conway Bank, National Association  
Charter Number 8467**

**124 West Spring Avenue  
Conway Springs, KS 67031**

**Comptroller of the Currency  
Wichita Field Office  
3450 North Rock Road Suite 505  
Wichita, KS 67226**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **INSTITUTION'S CRA RATING:**

### **This institution is rated Satisfactory.**

- The Conway Bank, National Association's average quarterly loan-to-deposit ratio is excellent. The bank's average quarterly loan-to-deposit ratio is 106% compared to 81% for fifteen similarly situated Kansas banks.
- A substantial majority of the bank's primary loan products have been granted to borrowers in the assessment area. Examiners' loan sample indicated that 88% of the number and 93% of the dollar volume of loans were made in the assessment area.
- The bank's lending to businesses of different sizes is satisfactory. The commercial operating loan sample indicated 30% of the number of loans were to businesses with revenues less than one million dollars.
- Conway Bank's lending performance to low- and moderate-income tracts is satisfactory. Sixty percent of the number of the operating loans were granted to businesses in moderate-income tracts.

## **DESCRIPTION OF INSTITUTION**

Conway Bank, National Association (Conway Bank), is a \$101 million bank headquartered in Conway Springs, Kansas. In addition to its main office, Conway Bank has a branch in Norwich, Kansas and two branches in Wichita, Kansas. Each branch has a drive-up facility and cash dispensing automatic teller machines (ATMs), with the exception of the Norwich branch that only has a drive-up facility. The bank operates another cash dispensing ATM at General Station convenience store in Viola, Kansas. Norcon Financial Corp., a one-bank holding company located in Conway Springs, owns 100% of the bank.

Conway Bank is a full-service bank offering a variety of loans. Net loans represent 65% of the bank's total assets. As of June 30, 2006, Conway Bank's \$65 million loan portfolio has the following composition: 44% commercial real estate, 20% commercial and industrial, 16% agriculture, 15% 1-4 family real estate, and 5% other.

The bank's primary lending products by number and dollar amount of loans granted since the last Community Reinvestment Act (CRA) examination are commercial operating loans and commercial real estate construction loans.

Conway Bank's financial condition, size, local economic conditions, and other factors allow it to meet the credit needs of its assessment area (AA). The bank has not opened or closed any branches since the prior CRA examination. We assigned a "Satisfactory" rating at the prior CRA examination dated July 22, 2002.

## **DESCRIPTION OF ASSESSMENT AREA**

Conway Bank's AA consists of Kingman County, Kansas (3 census tracts), Sumner County, Kansas (6 census tracts), and Sedgwick County, Kansas (118 census tracts). Five of the tracts are low-income tracts (4%), 39 of the tracts are moderate-income (31%), 52 of the tracts are middle-income (41%), and 31 of the tracts are upper-income (24%). The commercial growth areas in the AA are concentrated in the middle- and upper-income tracts of the Wichita Metropolitan Statistical Area (MSA). A significant amount of the assessment area's growth and development is located in middle- and upper-income tracts. Only two percent of the assessment area businesses are located in low-income tracts. These census tracts are located in downtown Wichita, where there is little real estate construction or commercial lending opportunities available to the bank. Sumner and Sedgwick Counties are part of the Wichita MSA, while Kingman County is a non-MSA. Sumner and Kingman Counties continue to report declining populations with agricultural dominating the areas. Outside of agricultural lending, there is low commercial loan demand and very little commercial real estate development opportunities in these two rural counties.

The combined 2000 U.S. Census population of the AA was 487,488. The 2006 Housing Urban Development (HUD) MSA median family income is \$60,931. The AA has the following income distribution for families: 18% low-income, 19% moderate-income, 24% middle-income, 39% upper-income. Of the 189,884 households in the AA, 24% receive social security, 9% have income below the poverty level, and 3% receive public assistance. Twenty-four percent of the population

consists of civilians not in the workforce and 12% of the population is over the age of sixty-five. The median housing value is \$78,178 and 62% of the housing units are owner-occupied.

The local economy is stable and manufacturing remains the area's principal industrial sector. Major employers in the Wichita area include: five aircraft manufacturers, Cessna Aircraft Co., Spirit Aerosystems, Raytheon Aircraft Co., Boeing Co., and Bombardier Learjet Inc.; a major camping supply manufacturer, The Coleman Company; and a chemical manufacturer, Vulcan Chemicals. Area hospitals, school districts and county government also employ a large number of area residents. The majority of Kingman County and portions of Sedgwick and Sumner Counties are dependent on agriculture, specifically, wheat, milo, and cattle. A significant number of Sumner County residents are also employed through the Wichita aircraft companies. The major employers in the Conway Springs area include local school districts, county government, and Farrar Corporation. The unemployment rate for the Wichita MSA was 4.1%, while it was 4.5% for Sedgwick and Sumner Counties and 3.5% for Kingman County in September 2006.

The assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Examiners made one community professional contact from the non-MSA. We also reviewed two recent community contacts performed by the OCC in the MSA. The contacts identified commercial and residential real estate construction and commercial businesses as the primary credit needs in the communities within the AA. The contacts indicated that financial institutions are meeting the credit needs of the AA.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

Conway Bank's lending level is excellent. Since the last CRA examination, the bank's average quarterly loan-to-deposit ratio was 106%. The average loan-to-deposit ratio over the same period for 15 other similarly situated banks, including those management views as direct competitors in the AA was 81%. The average loan-to-deposit ratios for these banks range from 55% to 102%.

### **Lending in Assessment Area**

Conway Bank's lending in the AA is good as it extended a substantial majority of its primary loan products in the AA. We found the bank made 88% of the total number and 93% of the dollar amount of loans in the AA. The sample consisted of 20 loans of each primary product originated this year or in the prior two years.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

The bank's lending distribution to businesses of different sizes is satisfactory. To assess the bank's performance, examiners selected a sample of 40 loans granted in 2004, 2005, and year-to-date 2006. The bank's primary loan products are commercial operating loans and commercial real estate construction loans. The sample included 20 loans of each product type.

The distribution of commercial operating loans to businesses is satisfactory. The commercial operating loan sample had 30% of the number and 5% of the dollar amount of loans granted in the

AA to businesses with revenues less than one million dollars. The AA demographics show that 58% of all businesses have annual gross revenues less than one million dollars.

Since the vast majority of commercial real estate developers have revenues of over one million dollars, the bank's distribution of commercial construction lending to developers of different incomes fell short of area demographics for all businesses. The sample of commercial real estate construction loans indicated no loans were granted to developers with revenues less than one million dollars. Management attributes the discrepancy to the size of established commercial developers in the area. Management also noted the area developers provide employment opportunities for many low- to moderate-income individuals.

### **Geographic Distribution of Loans**

The geographic distribution of the bank's loans in low- and moderate-income tracts is satisfactory.

Based on the sample of loans reviewed, the bank's distribution of commercial operating loans in low- and moderate-income tracts in the AA is satisfactory. Penetration in the moderate-income tracts is excellent. Sixty percent of the number of the operating loans were granted to businesses in moderate-income tracts, as compared to the demographics of 28%. The sample did not include any commercial operating loans to businesses in low-income tracts since these tracts are located in downtown Wichita where little commercial operating loan opportunity exists.

The geographic distribution of the bank's commercial real estate construction loans in low- and moderate-income tracts is satisfactory considering the developing areas are concentrated in the middle- and upper-income tracts of the Wichita MSA. From the sample of loans reviewed, no commercial real estate construction loans were granted to businesses in low- or moderate-income tracts as compared with demographic data for all businesses of 2% and 28% respectively. Based on the public addresses for commercial real estate developers in Wichita, there is little opportunity for the bank to grant loans to developers located in low- or moderate-income tracts.

### **Responses to Complaints**

The bank has not received any CRA-related complaints since the last CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.